

T H E   C A B I N E T  
S T A T E   O F   F L O R I D A

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Representing:

STATE BOARD OF ADMINISTRATION

(EXCERPT OF MEEETING)

The above agency came to be heard before  
THE FLORIDA CABINET, Honorable Governor Crist  
presiding, in the Cabinet Meeting Room, LL-03,  
The Capitol, Tallahassee, Florida, on Tuesday,  
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REPORTED BY:  
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CHARLIE CRIST  
Governor

BILL McCOLLUM  
Attorney General

ALEX SINK  
Chief Financial Officer

\* \* \*

1           GOVERNOR CRIST: State Board of Administration,  
2 Coleman Stipanovich.

3           MR. STIPANOVICH: Good morning, Governor, members.

4           GOVERNOR CRIST: Good morning, Coleman.

5           MR. STIPANOVICH: The first item on the agenda is  
6 request for approval of the minutes of the November 14,  
7 2007 and --

8           GOVERNOR CRIST: Is there a motion to approve?

9           MR. STIPANOVICH: -- November 29, 2007 meetings.

10          ATTORNEY GENERAL McCOLLUM: So moved.

11          CFO SINK: Second.

12          GOVERNOR CRIST: Moved and seconded. Show the  
13 minutes approved without objection.

14          MR. STIPANOVICH: The second agenda item is  
15 request for approval of plan to safeguard assets and  
16 provide liquidity for the Local Government Investment  
17 Pool. At the special meeting that was held last week,  
18 you all gave us direction to do two things. One was to  
19 go and engage a --

20          GOVERNOR CRIST: Excuse me. I'm sorry.

21          CFO SINK: There's a lot of noise in the audience,  
22 and I'm having a little bit of a hard time hearing  
23 Coleman.

24          GOVERNOR CRIST: If we could have a little quiet,  
25 please.

1 CFO SINK: And speak up a little more. Thank you.

2 GOVERNOR CRIST: If you could start over, Coleman,  
3 on 2.

4 MR. STIPANOVICH: Item Number 2 was request for  
5 approval for a plan, request approval for a plan to  
6 safeguard assets and provide liquidity for the Local  
7 Government Investment Pool. At the special meeting  
8 last week, you all gave us direction to do two things.

9 One was to go and engage a world-class institution  
10 that would act as a financial advisor to help us figure  
11 out how to safeguard these assets and provide  
12 liquidity.

13 The second charge was to engage the participants,  
14 the participants that make up the Local Government  
15 Investment Pool. So what we did was reach out to the  
16 five associations that pretty much make up the Local  
17 Government Investment Pool and asked them to provide  
18 three representatives from their associations to make  
19 up an advisory committee. The charge was to have an  
20 advisory committee provide input and recommendations.

21 So with that I would like to introduce Ms. Jeannie  
22 Garner with the Florida League of Cities, who was  
23 elected by these folks to represent them.

24 GOVERNOR CRIST: Good morning.

25 MS. GARNER: Good morning. Thank you.

1 GOVERNOR CRIST: How are you?

2 MS. GARNER: I'm doing great. Thanks. I'm  
3 speaking to you today on behalf of the newly formed  
4 Advisory Committee, as Mr. Stipanovich mentioned. You  
5 have a handout in your packet, I think, of the actual  
6 Advisory Committee formal recommendation.

7 The last page of that handout actually lists all  
8 the members of the Advisory Committee. At the end of  
9 my presentation, some of the members are actually here.  
10 If I can't answer all your questions, they'll be happy  
11 to step in.

12 The committee consists of representatives. I'm  
13 going to read through these associations so everybody  
14 understands. The Florida Association of Court Clerks,  
15 the Florida League of Cities, the Florida Association  
16 of Counties, Florida School Boards, Florida Association  
17 of District School Superintendents, Florida Tax Watch  
18 and Citizens Property Insurance.

19 The Advisory Committee has held two open  
20 teleconference meetings in the past few days, and we  
21 received input from many pool participants across the  
22 state. The Advisory Committee understands why the  
23 trustees caused a cease of withdrawals last Thursday.  
24 We commend the establishment of this Advisory Committee  
25 to give us a voice to you.

1           Your decision to hire an independent advisory firm  
2 we also commend, BlackRock, and appreciate their hard  
3 work over the weekend to deliver some solid  
4 recommendations to you.

5           For the last 25 years the Local Government  
6 Investment Pool has been a valuable tool for local  
7 governments. As quoted on the SBA Web site, it was  
8 established to provide local governments a low cost,  
9 low risk, fully transparent investment option for  
10 surplus funds.

11           Local governments are required by law to adopt and  
12 follow an investment policy quoted from the state  
13 statutes. Such policies shall be structured to place  
14 the highest priority on safety of principal and  
15 liquidity of funds. The optimization of investment  
16 return shall be secondary to its requirements for  
17 safety and liquidity. The holdings of the pool in the  
18 recent months do not appear to promote the intent of  
19 the statute that we are required to follow.

20           The primary objective of the trustees today should  
21 be to minimize the losses and work towards a  
22 continuation of the fund as a primary investment  
23 vehicle for local governments. The Advisory Committee  
24 presents to you the following recommendations to help  
25 reestablish the trust and confidence of local

1 governments, and these actions should be taken  
2 immediately. I'm going to read these verbatim.

3 Number one: The State should provide a guarantee  
4 that participants will receive 100 percent of their  
5 assets back. This can be subject to reasonable  
6 withdrawal provisions to meet liquidity needs.

7 Number two: The State should continue to use an  
8 independent advisory firm for the following purposes.  
9 Number one, to assist the review of current holdings.  
10 Two, to establish an interim investment statement  
11 emphasizing safety and liquidity. Number three, to  
12 develop a plan to restructure the portfolio and to  
13 reflect new investment statement.

14 Number three: The Advisory Committee supports the  
15 BlackRock proposal that I'm sure you'll be hearing  
16 about next of utilizing a Fund A and Fund B structure,  
17 with Fund B holding questionable, at-risk securities  
18 only and Fund A securing and maintaining a AAA rating.

19 Number four: The Advisory Committee is strongly  
20 against redemption fees for withdrawal. The Advisory  
21 Committee supports implementing temporary withdrawal  
22 provisions for participants to meet needs such as  
23 payroll, debt service, construction draws and  
24 operations. These provisions would last only until  
25 sufficient liquidity is restored. The Advisory

1 Committee can assist in developing these provisions.

2 Number five: The State should promote renewed and  
3 enhanced communication between the SBA and  
4 participants. Communications must include full  
5 disclosure and transparency of the Pool's portfolio,  
6 current assets and liquidity potential. Reports should  
7 be prepared and distributed monthly, holdings updated  
8 daily online and any significant changes immediately  
9 communicated to the participants.

10 Number five -- number six, excuse me: A permanent  
11 Advisory Committee should be established comprised of  
12 depositors, local government officials as well as  
13 finance officers that manage government funds, to work  
14 with SBA staff, and a permanent investment advisor to  
15 establish a new long-term investment policy.

16 The policy should in turn include limits by type  
17 of security, sector and issuer. The primary goal of  
18 the policy should be to, one, assure safety of  
19 principal; number two, assure liquidity of funds; and,  
20 lastly, to provide an appropriate yield. The policy  
21 should also provide guidelines to prevent excessive  
22 withdrawals in the future.

23 The committee should meet at least quarterly to  
24 review reports and provide feedback to the SBA staff.  
25 The committee should perhaps possess the authority to

1 request additional oversight from another agency, such  
2 as the Auditor General, to ensure that the investment  
3 policy is being followed.

4 Finally, as related to the tax collector holdings,  
5 number seven, the State should recognize and assure  
6 that the statutory requirement for tax collectors to  
7 distribute collected revenue by December 31st to taxing  
8 districts is met -- taxing authorities is met.

9 If these recommendations are adopted, the Advisory  
10 Committee will actively work to reestablish the trust  
11 and confidence in the fund and encourage participants  
12 to reinvest in and provide the needed liquidity to the  
13 fund.

14 In closing, we hope this is not the end of our  
15 work but only the beginning because this is not a  
16 short-term problem. We need to work together to find  
17 long-term solutions and we're here to help you.

18 With our property tax revenues being cut this past  
19 year and the possibility of even more in the future,  
20 this pool and the interest earnings it has created for  
21 us is now more important than ever. Those of us left  
22 in the pool are your friends and your partners. We  
23 trust that you, the trustees, will find a solution that  
24 will help maintain our trust and restore confidence of  
25 others.

1 I'll be happy to answer any questions, with the  
2 help of all my friends in the audience. Thank you.

3 GOVERNOR CRIST: Thank you.

4 CFO SINK: Governor --

5 GOVERNOR CRIST: CFO.

6 CFO SINK: -- I would make a comment that, I just  
7 want to compliment all the investors that have come  
8 together in such a quick manner and have been working  
9 diligently over the weekend on this issue. And they've  
10 come up with some very well-thought-out  
11 recommendations.

12 And I think that the spirit of cooperation in  
13 digging in and trying to find solutions as opposed to  
14 casting arrows is -- has been very, very commendable.  
15 We have some tremendous local government leaders in our  
16 state, as evidenced by the culmination of this report,  
17 but just all the work that they've done in the past  
18 three or four days has been incredible.

19 GOVERNOR CRIST: I would echo that as well and  
20 want to thank you for your great presentation this  
21 morning and thank you for your spirit of cooperation  
22 and your sense of calm.

23 ATTORNEY GENERAL McCOLLUM: And I would like to  
24 make one comment if I could.

25 GOVERNOR CRIST: General, please.

1           ATTORNEY GENERAL McCOLLUM: I think that that  
2 report shows us very clearly that we need to have the  
3 investors involved in the future in some formal  
4 structure in terms of involvement in advice and -- this  
5 is their money. This is the money that -- it's not a  
6 pension fund. It's sort of a cash management pool.

7           And it seems to me that that portion of your  
8 recommendation that goes to continued progress in this  
9 regard is very, very important to not only the sense of  
10 confidence in the programs but for the valuable input  
11 that you'd have to give direction in terms of how you  
12 want this money managed and the ways in which things  
13 like we are now seeing today could be addressed before  
14 we got to the point where we are in some future  
15 situation that hopefully would never be this grave but  
16 still would be problematic. So I do think that's a  
17 very important part of this recommendation.

18           GOVERNOR CRIST: Thank you. Coleman.

19           MR. STIPANOVICH: Governor, I don't know what your  
20 pleasure is. There are actually two folks that have  
21 asked to speak, so if you'd like to do that now on the  
22 heels of this --

23           GOVERNOR CRIST: Sure, that's fine.

24           MR. STIPANOVICH: Mr. Tom Morris, chief operations  
25 officer with Clay County Utility from Middleburg,

1 Florida, would like to speak. And I believe these  
2 speakers are wanting to address their kind of very  
3 emergent needs in terms of needing their capital.

4 GOVERNOR CRIST: Certainly. Good morning.

5 MR. MORRIS: Good morning, Governor, Cabinet  
6 members. My name is Tom Morris. I'm representing the  
7 Clay County Utility Authority.

8 GOVERNOR CRIST: Would you be kind enough to lift  
9 your microphone up a little bit? I'm having a hard  
10 time hearing you.

11 MR. MORRIS: Is that better?

12 GOVERNOR CRIST: Thank you. I'll find out in a  
13 second.

14 MR. MORRIS: My name is Tom Morris. I'm with Clay  
15 County Utility Authority. I'm here basically just to  
16 echo what has already been said and I'm sure what will  
17 be said later. We are a utility company, a public  
18 utility company that provides an essential public  
19 service. About 95 percent of our working capital is  
20 invested with the SBA.

21 We don't have a whole lot of options. And as luck  
22 would have it, we have a very aggressive capital  
23 campaign ongoing this moment as we speak. We're very  
24 concerned about the possibility of defaulting on some  
25 contracts that are already in place. And we've

1 presented the trustees, along with Coleman, with a  
2 forecast, a short-term forecast of our cash  
3 requirements, both operating and capital.

4 And we're worried, as are most of the folks in  
5 this audience, and it is my purpose here to just let  
6 you all know the gravity of our situation in  
7 particular, and I'm sure with everyone else. They  
8 share similar concerns. But we do have most of our  
9 eggs in this basket, and we don't have a whole lot of  
10 options before us.

11 GOVERNOR CRIST: Thank you, Tom.

12 MR. MORRIS: Thank you.

13 GOVERNOR CRIST: Appreciate you being here.

14 MR. STIPANOVICH: Governor, members, the next  
15 speaker is Ms. Maureen Rischitelli, town manager of the  
16 town of Oakland, Florida.

17 GOVERNOR CRIST: Good morning.

18 MS. RISCHITELLI: Good morning.

19 CFO SINK: Excuse me. Governor, would you have  
20 her say her name and her city again?

21 MS. RISCHITELLI: Rischitelli,  
22 R-I-S-C-H-I-T-E-L-L-I, the town of Oakland, and usually  
23 what people say is, "Where is Oakland?" Oakland is  
24 2,000 residents that sits between the City of Clermont  
25 and Winter Garden. It has a charter school of 550

1 elementary school children, who give this state an A  
2 rating.

3 GOVERNOR CRIST: Thank you.

4 MS. RISCHITELLI: Right now the town basically is  
5 facing a true financial crisis. It's only a matter of  
6 time and how we shift the dollars that St. Peter has  
7 and St. Paul has, because when I received information  
8 over the radio that the fund was in trouble, we  
9 listened to your broadcast.

10 In that, a decision had to be made because our  
11 charter school bond of \$700,000 was due yesterday at  
12 5:00 p.m. In that charter school bond, in trying to be  
13 a good partner with the State, \$1 million is sitting in  
14 the fund for the bond. My fallback position would be  
15 to tap into the reserve for that bond, but that's also  
16 sitting in the fund. So right now the town had to  
17 front \$425,000 to the school again to keep it running.

18 As of January my next bond will be due, which is  
19 our water bond. Our reserve, what little we have --  
20 and right now it's not truly a reserve -- is sitting in  
21 the fund. So we have no other funds to tap into. We  
22 aren't seeing great payments in the ad valorem taxes.

23 And we will honor our commitment, because we are a  
24 partner with the State with regards to the  
25 transportation projects on State Road 50, the Wekiva

1 Study Act. We are looking at my salary being used next  
2 year to pay for the 250,000 gallon storage tank that we  
3 need to meet DEP requirements.

4 So as our town struggles to remain a town, which  
5 is how Florida was started, I'm hard pressed to explain  
6 to my commissioners that they're seeing not only their  
7 plan for the citizens of Oakland and the Oakland Avenue  
8 Charter School children continue on, but truly the  
9 question to come back especially in January and/or  
10 April to the State is, "When do I hand you the keys to  
11 both the school and the town?"

12 Other cities and towns will tell you they're just  
13 a little further and have reserves, but these actions  
14 will continue because you can only do so much, just as  
15 you had said earlier. There's only so much money.  
16 You're trying to do it.

17 And as you can tell from my accent, I come from a  
18 place where I've been through this before, and it gets  
19 worse. Then it does get better. But the key is that  
20 you have to look at the entire ramifications and do not  
21 lump everybody in the same category, because our town  
22 has not raised its millage in over five years because  
23 they know in order for people to live in West Orange  
24 County and provide certain services, this is what  
25 happens.

1           And the only item I'd like to address with regards  
2 to the first proposal that I read in the Orlando  
3 Sentinel was that with regards to the ten percent fee  
4 should we have to withdraw our money, like I said, my  
5 salary is pledged to the water system. That \$100,000  
6 will be my principal, my assistant principal, my  
7 curriculum resource teacher, books.

8           When something gets pulled out, it comes from  
9 within. Every dollar goes to those school children.  
10 It doesn't go to the town. We're fortunate that we get  
11 to operate it. But every penny of that school  
12 education money stays with that.

13           So those are the choices that we make. It's not  
14 that we're looking to hire. If you come to town hall  
15 right now, there are six people working in town hall.  
16 I have eight police officers and 30 teachers.

17           We do the same as every other city and town. But  
18 the key is, when you start moving those things around,  
19 the dominoes fall, and that's where we'll end up, back  
20 here, most likely with keys for you. I thank you for  
21 your time.

22           GOVERNOR CRIST: Thank you.

23           MR. STIPANOVICH: The next speaker is a  
24 representative with the Florida Tax Collectors'  
25 Association, the Honorable Patsy Heffner, Osceola

1 County Tax Collector.

2 MS. HEFFNER: Governor and members of the Cabinet,  
3 on behalf of the tax collectors across the state of  
4 Florida, we appreciate the opportunity to be a part of  
5 the solution to this challenge. We strongly urge you  
6 to adopt the recommendation of the Advisory Committee  
7 and would also request that any permanent advisory  
8 committee that is formed, that a tax collector also be  
9 a part of that committee as a large contributor to this  
10 fund. Thank you for your time.

11 GOVERNOR CRIST: Thank you, Patsy. George, thank  
12 you.

13 UNIDENTIFIED SPEAKER: Good seeing you, Governor.

14 MR. STIPANOVICH: Governor, members, the last  
15 speaker is Ms. Sharon Binnun, chief financial officer  
16 with Citizens.

17 MS. BINNUN: Good morning. Sharon Binnun, CFO of  
18 Citizens Property Insurance Corporation. Thank you,  
19 Governor Crist, CFO Sink, General McCollum and Coleman.  
20 I just wanted to make a couple of points, please.  
21 Citizens is by far the largest participant in the pool,  
22 and I think we've made that clear.

23 We have participated in the Advisory Committee,  
24 but I just wanted to kind of articulate that we've  
25 participated in the committee meetings that have been

1 called by the SBA. There have been some additional  
2 Advisory Committee meetings that were held that we  
3 chose not to participate because Citizens by statute is  
4 not permitted to engage in outside lobbying activities,  
5 and by meeting with associations and so forth, we felt  
6 like that might not be appropriate.

7 So just to distinguish ourselves, we were not part  
8 of the vote electing, and Jeannie did an excellent job.  
9 We certainly agree with some of the points by that team  
10 but not all of the them. And I think that we have  
11 provided each of you with Citizens' recommendation,  
12 which I won't belabor.

13 But I just wanted to say, from Citizens'  
14 perspective, we think really the primary emphasis  
15 should be on return of principal with interest and  
16 absolutely an equitable distribution, whatever the  
17 final decision is made, an equitable distribution for  
18 all investors in the pool. Citizens was not part of  
19 the run on the bank and stuck with the pool.

20 And while we do not have any immediate needs for  
21 liquidity, we certainly expect to get a return on our  
22 investment and get our complete principal back and  
23 would expect an equitable distribution.

24 And from our perspective at least today, we would  
25 suggest perhaps the focus should not be on the

1 continuity of the pool but on how to deal with where we  
2 are today with what's in the pool and how those assets  
3 would be distributed or allocated, if a decision is  
4 made to do that. Thank you very much.

5 MR. STIPANOVICH: I now would like to introduce  
6 Barbara Novick, the Vice Chairman of BlackRock, which  
7 is a world-class financial services institution that we  
8 engaged to give us advice in coming up with a plan to  
9 safeguard assets and provide liquidity. Barbara.

10 MS. NOVICK: Good morning, everyone. First of  
11 all, thank you very much for inviting us. We're  
12 honored to be here. Obviously, this is an  
13 unprecedented situation in the markets, and we  
14 recognize the gravity of it.

15 I'd like to give a little context. As we sit here  
16 today, it's easy to think about Florida and the  
17 specifics here. But just to give you an idea of public  
18 entities who have announced very serious losses related  
19 to money markets, SIVs, et cetera, they include names  
20 you will all recognize, B of A, Legg Mason, U.S.  
21 Bancorp, Wachovia, Credit Suisse, FCI, SunTrust and  
22 Federated.

23 And those numbers range from as small as 5 million  
24 to several who have losses over 250 million. So not  
25 that it's any consolation to you, but recognize that

1 you're not alone in this situation and it is a very  
2 grave situation in the whole market. I think we've  
3 been able to take a lot of input and come up with some  
4 ideas for you.

5 We also recognize the need to act decisively to  
6 protect the shareholder interests. I'd like to start  
7 by providing a little background about the assignment,  
8 what we've done, the steps we've gone through. And I  
9 will defer to my colleagues to give some details on  
10 each of the pieces.

11 If you don't mind, we'd like to defer to the end  
12 the questions so that we can cover all the points. I  
13 think what you'll find and hopefully you'll be pleased,  
14 we're going to address many of the issues that have  
15 been raised over the last four days.

16 So, first, BlackRock was hired, as you know, on  
17 Friday by this board. We have had a team of people  
18 working literally around the clock for four days.  
19 We've analyzed every individual security and assessed  
20 it for credit. We've assessed the structure of the  
21 portfolio, the maturity structure, the liquidity  
22 capacity of the portfolio.

23 We've conferred with staff with more conference  
24 calls than you could count. We've worked with people  
25 at SBA at the State. We've conferred with the Florida

1 State Board Association yesterday morning. And the  
2 spirit of cooperation was palpable in the room.

3 Likewise, we participated in one of the Advisory  
4 Committee conference calls yesterday afternoon. And  
5 there also, the spirit of cooperation here in Florida  
6 is really to be commended.

7 Last night, rather late, I reviewed the survey of  
8 shareholders. Tom and Maureen's stories are just two.  
9 There are many people who we recognize need access to  
10 their funds and they need it now.

11 We're going to talk about that. I think you will  
12 be very pleased, especially for smaller shareholders,  
13 they can have not only their funds but almost all of  
14 their funds very quickly.

15 Please keep in mind, we were hired as an advisor.  
16 We're not the manager of the fund. And we're going to  
17 talk specifically about advice for today of what could  
18 happen and how to go forward.

19 We recognize the shareholders are quite diverse.  
20 They're large. They're small. They're school  
21 districts. They're cities. They're counties. Some  
22 have a concentration of assets in the pool, as you just  
23 heard. Some have other sources of liquidity, which is  
24 quite encouraging for the pool. Some need to make  
25 payroll or to pay contractors. Some are building fire

1 stations, water treatment plants, roads or jails,  
2 obviously a very diverse group.

3 A few themes have emerged across all of the  
4 shareholders. You've heard the recommendations. I'll  
5 sum them up slightly differently. Everyone is seeking  
6 the preservation of capital. There's a very strong  
7 desire for access to at least some of their funds right  
8 away, the more the better. There is a willingness to  
9 wait for some of the funds, especially with some of the  
10 larger balances, which is very helpful.

11 There's also this willingness to help each other  
12 out, and there's a strong interest in what I would call  
13 restoring confidence in the fund. This has been a  
14 25-year program many people have used very successfully  
15 and really would like to see it back. They would like  
16 to invest in a conservative fund, and they really want  
17 what we call a rated fund.

18 Lastly, it's very clear there's a desire for  
19 enhanced communication, everything from portfolio  
20 transparency to input in the decision process going  
21 forward and a very clearly articulated plan from this  
22 board and from whoever you choose as a manager.

23 I'd like to take a moment to really thank everyone  
24 we've met in the last 48 or, I guess, a little bit  
25 longer than that, 72 hours. We've been treated to

1 Florida hospitality in a very nice way. It's a very  
2 difficult situation. I fear there are some very high  
3 expectations, but we're going to try and address as  
4 many of those issues as possible. I think we have a  
5 workable solution.

6 Maureen, I think you'll be very pleased, as a  
7 smaller balance holder, to see exactly how it plays  
8 out. And likewise, Patsy, we heard you loud and clear  
9 in terms of transfers within the fund and a way to do  
10 that with no penalties whatsoever.

11 We see in this whole assignment what I call dual  
12 goals, maximize the value to the shareholders while  
13 also providing liquidity to municipalities in the fund.  
14 We've considered quite a few different ideas. Many of  
15 you asked us questions yesterday about the roles for  
16 SBA or State. Unfortunately, as we tried to answer,  
17 although maybe not as articulately as you would have  
18 liked, between fiduciary issues, statutory limitations  
19 and the practical limitations of how much cash is  
20 available, it rules out a lot of what could be  
21 potential solutions in other circumstances.

22 We've even considered what we call the wholesale  
23 liquidation of the portfolio, but we see this as a very  
24 poor option and one that we would not recommend,  
25 especially given how much high quality assets we found

1 in the pool, and we really think we can come up with  
2 much better solutions.

3 We considered what we call a run-off option. It's  
4 included in the documents we've shared today. Think of  
5 it as a liquidating trust. We'll touch on it briefly,  
6 although what we really are recommending is what we  
7 call the operating option. We think it's far superior,  
8 meets a lot more of the goals and would serve you very  
9 well.

10 At this point, I'd like to introduce the first of  
11 my two colleagues. Chris Stavrakos is the co-head of  
12 the cash portfolio management group at BlackRock. We  
13 manage over \$200 billion of cash assets. We have a  
14 very large and dedicated team just doing cash. They  
15 have experience with credit, liquidity, operations,  
16 shareholder communications. And Chris is going to walk  
17 you through on pages three and four the analysis of the  
18 portfolio.

19 MR. STAVRAKOS: Thank you, Barbara. Thank you,  
20 Govern and Cabinet members. It's an honor to be here.  
21 On page three I'd like to just briefly take you through  
22 what we view as the two principal risks embedded in any  
23 portfolio, including this portfolio, and then the  
24 challenges that we face in trying to manage each of  
25 those risks while balancing competing needs.

1           The first risk we'd identify is credit risk, being  
2           the risk that some securities will not pay out as  
3           promised. When a security defaults, there's a real  
4           economic loss to the holder of that security, and  
5           certainly that credit risk is more heightened in  
6           today's market, everywhere we look.

7           The Local Government Investment Pool has  
8           securities currently with face amounts equal to about  
9           six percent of the fund that are currently in default,  
10          have defaulted, or have extended. And the actual  
11          recovery of amounts is currently unknown, and the  
12          timing of that is currently unknown.

13          Liquidity issues normally is the cost of selling  
14          large quantities of securities into the marketplace  
15          and/or liquidating illiquid securities. And, again, as  
16          I mentioned earlier, at this point in the market, that  
17          liquidity comes at a premium because everybody is  
18          trying to access that precious commodity of liquidity.

19          This risk, separate from credit risk, even exists,  
20          it also exists for securities that are creditworthy and  
21          good securities, high quality securities. However,  
22          those securities obviously haven't matured or thrown  
23          off any cash flow, and trying to liquidate those into  
24          this market comes at a cost.

25          In that case it may be a better policy to hold

1 that security until maturity, waiting for full payment  
2 of principal, given that the liquidity premium is a  
3 very high premium.

4 So going forward we have to try to balance these  
5 competing needs of the shareholders, recognizing the  
6 two risks that are embedded in the portfolio.

7 Turning to page four, I'd like to take you through  
8 just briefly the evaluation of the portfolio that we  
9 did. BlackRock received from the State Board  
10 information regarding investment holdings in the pool,  
11 and those holdings were uploaded into our systems. And  
12 a team of senior portfolio managers and credit analysts  
13 and others worked over the course of the last four  
14 days, night and day, to analyze that portfolio and the  
15 individual holdings, both from an individual basis as  
16 well as a holistic basis.

17 Our initial observations of the portfolio include  
18 that there is 14 billion in the par amount of  
19 securities. The market value today is less than the  
20 book value and less than that par amount. There is  
21 about 867 million of face amount of securities -- that  
22 represents about six percent of the existing fund.  
23 Those securities either are in default, have defaulted  
24 or have extended, and there is some uncertainty with  
25 regard to the timing and the amount of repayment of

1 those securities.

2 Another 1.2 billion of securities, or about eight  
3 percent of the fund, is held in securities that are  
4 under stress due to credit issues. And, again,  
5 referring to what I said earlier, those credit issues  
6 can be either real credit issues in terms of credit  
7 impairment or liquidity issues that are unique to the  
8 circumstances we find ourselves in today.

9 That leaves the remaining 12 billion in securities  
10 that are very high quality securities, we feel, high  
11 quality money market instruments. And of those  
12 securities, they have maturities ranging between very  
13 near maturities this month, December of '07, and  
14 December 2008. Many of those high quality securities  
15 are the same securities that you will see in many of  
16 the money market funds if you were to look at the  
17 holdings of money market funds across the universe.

18 The other note that I'd like to make is that while  
19 much of -- we know much about the portfolio, there are  
20 still many uncertainties that exist, again harkening  
21 back to the comments I made earlier about liquidity and  
22 timing and credit risk embedded in this and any other  
23 portfolio that you might see. Thank you.

24 MS. NOVICK: With this as background, I'd like to  
25 introduce my second colleague, who is Simon Mendelson.

1 Simon is the COO of our cash management business. He's  
2 going to walk you through what we call our recommended  
3 approach, the operating option, which starts on page  
4 seven, if we could advance the slides. We believe this  
5 approach addresses many of the concerns outlined by  
6 shareholders.

7 And as Simon is going to explain in detail, this  
8 option will provide immediate access to a substantial  
9 percentage of their cash. It creates a clean pool of  
10 assets that investors can gain confidence in. And it  
11 walls off the problem assets that Chris just described  
12 and allows time to work these out and maximize value.  
13 Simon.

14 MR. MENDELSON: Thank you. This operating option  
15 that Barbara introduced, in this scenario, as we've  
16 described in the materials, the LGIP would be divided  
17 into two parts. Fund A, which Chris alluded to in his  
18 description of the quality of the assets, about 86  
19 percent of the assets are high quality.

20 We took a tough line on what counts as high  
21 quality. These would literally be AAA quality assets,  
22 so we could move the fund towards a rating. We'll talk  
23 about that. Barbara will address that later. We  
24 literally looked at each security, at each of the  
25 names, and we believe each of the individual names will

1 inspire confidence in that, in that Fund A.

2 Fund B is everything else, things that have  
3 defaulted or are in default or maybe have merely  
4 extended. That means they've lengthened the time of  
5 payouts, or are just names that might be in the news.  
6 And so those are into Fund B, about 2 billion, or 14  
7 percent of the assets. The idea is we end up with a  
8 Fund A that will really have the best shot at inspiring  
9 confidence going forward.

10 If you flip to the eighth slide, let me tell you,  
11 therefore, a couple of features about Fund A. Fund A  
12 would be managed as a cash vehicle, offering money  
13 market yields that we would believe would be  
14 competitive in the market. We are extremely confident  
15 in the quality of these assets in this fund.

16 Now, if we open the doors tomorrow -- the goal is  
17 to open the doors as soon as possible and bring the  
18 fund to full and normal operation. However, due to the  
19 environment, we would not recommend doing that  
20 immediately. We would instead propose doing it  
21 gradually. And that's what this proposal is about.

22 So let me describe what would happen on day one  
23 and then say again that the goal ultimately is to get  
24 back to full open operation, as any money market fund  
25 is. But this is a way to get there by starting, if you

1 will, cautiously.

2 First -- and these are, again, laid out here on  
3 this page. First we would need to spend a little more  
4 time understanding investors' commitment to stay in the  
5 pool, investors' commitment to add additional funds to  
6 the pool.

7 We were very encouraged in our meeting with the  
8 advisory group. There seemed to be a tremendous amount  
9 of goodwill in the room to do -- to either stay in the  
10 pool, only take out their needs, or to add additional  
11 assets.

12 We believe there's about \$2 billion of very liquid  
13 cash or very liquid assets in there right now. So  
14 that's encouraging. So that's the starting point.

15 On day one we would then meet the shareholders'  
16 needs for liquidity in three ways. The first -- and I  
17 believe this will be comforting in terms of some of the  
18 comments we just heard. Current shareholders would be  
19 allowed to redeem with no fees the greater of 15  
20 percent of their holdings or \$2 million.

21 And the reason we went to a percent or \$2 million,  
22 the greater of, was simply for the smaller  
23 shareholders, where a percent might be too small an  
24 absolute number, you say, okay, you can take out at  
25 least 2 million. And I would note that \$2 million will

1 cover 71 percent of the shareholders in this fund.  
2 Most of them are below -- most of these accounts are  
3 smaller accounts. And, therefore, they would have full  
4 liquidity of their Fund A portion.

5 And so it would open on day one, 15 percent or  
6 \$2 million. We expect that number of 15 percent to  
7 increase over time. As the fund gets more liquid, we  
8 would increase that number, as prudent, over time and  
9 eventually, again, hopefully get ultimately back to  
10 full normal operation as a money market fund, which has  
11 no particular limits on liquidity.

12 The second way we would, on day one, get liquidity  
13 to shareholders, other than this sort of available  
14 amount, would be to arrange a public-private  
15 partnership to allow shareholders simply to borrow  
16 against their shares.

17 Very simply, shareholders could pledge their  
18 shares in Fund A as collateral. A bank or lending  
19 institution would then lend them the amount of those  
20 shares. The shareholder would pay the interest to the  
21 bank but would still collect the interest the shares  
22 deliver.

23 So the true cost to them, if you will, would be  
24 the difference of what they have to pay the bank versus  
25 what they're yielding on the fund, and we would hope

1 this cost would be small. And in some cases, if the  
2 need for liquidity is short, that would certainly be  
3 preferential to what I'm going to get to in a minute  
4 about any redemption fees. It would be a very quick  
5 way to get additional liquidity beyond the 15 percent  
6 or the 2 million I spoke about.

7 Finally, as a last resort, for those shareholders  
8 whose needs aren't met by the 15 percent, 2 million, or  
9 aren't met by that plus the availability of this  
10 lending facility, shareholders would still be free to  
11 redeem additional amounts from the fund, but we would  
12 recommend these be subject to a sort of -- a redemption  
13 fee.

14 And let me say a word about that. First of all,  
15 our initial projections -- and, again, this has been a  
16 very short shot clock here, but initial projections are  
17 the redemption fees would be in the realm of a two  
18 percent fee, as a starting point. And, again, this is  
19 something that could, of course, come down over time.

20 The fee will not apply to the redemptions I've  
21 just described, the 15 percent or 2 million, of course.  
22 This fee would not apply to transfers between  
23 shareholders. So if a tax collecting agency had an  
24 account here and needed to transfer the shares to  
25 another shareholder in the fund, that would not be

1 subject to a redemption fee, because it doesn't force  
2 us to sell assets into the market. We simply transfer  
3 shares within the fund.

4 The third point is extremely important. New  
5 deposits would not be subject to this redemption fee.  
6 Why is that? Well, boy, we want to encourage people to  
7 come into the fund. And if we said, if you put money  
8 in the fund and you may have this redemption  
9 limitation, who would? So new money is great for  
10 everybody. It opens up the liquidity of the fund, and  
11 we want to encourage that. And so this would not be  
12 subject to redemption fees.

13 As I mentioned, the redemption fee would decline  
14 over time, as the liquidity structure of the fund  
15 improves. And I guess I'll jump to the last point.  
16 What happens with these redemption fees might be a  
17 question. Well, it's important to note the redemption  
18 fees will be retained in the Fund A reserve account  
19 purely for the benefit of the remaining shareholders.  
20 And this is very important.

21 Some folks said they don't like redemption fees.  
22 Well, we don't like redemption fees either. But the  
23 idea in this case is it is only a last resort. It  
24 would only come in after you've gone through those two  
25 other layers of liquidity. And in addition, it is not

1           meant to be a penalty. It is not meant to be punitive  
2           in any way. It is if a shareholder sells, must sell  
3           into this market, there is a real economic cost. And  
4           this fee is in place to protect the other shareholders  
5           from bearing that cost.

6           In other words, it says, if after all these forms  
7           of liquidity you still really must sell now, you should  
8           take the cost yourself as a shareholder instead of  
9           providing it to the -- spreading it to the other  
10          shareholders. So that's the logic of this fee.

11          And, again, we would hope it would decline over  
12          time, the fund would get more liquid and these  
13          restrictions would be removed over time and we'd get  
14          back to more normal function.

15          If you go to slide ten, I've talked to you about  
16          Fund A. Now let's go to the other side of the wall to  
17          Fund B. This is the fund -- again, as the pool is  
18          comprised of assets that may have defaulted, they may  
19          be paying now, they may have missed a single payment  
20          but are now paying or they are in default or they've  
21          extended.

22          And the idea is this would be walled off. It  
23          would not be subject to subscriptions or redemptions.  
24          You couldn't put money in or take it out at will. We  
25          have in our proposal the idea that the November income

1 from the LGIP, plus there was a loss reserve within the  
2 LGIP, would be put into Fund B.

3 The goal of that is to offset some of the losses  
4 that are inherent in Fund B. There are some real  
5 economic losses in Fund B. Precisely what those are is  
6 hard to ascertain. These securities haven't run  
7 through their course yet. But these two amounts, which  
8 I believe are about 90 million of income related to the  
9 LGIP November interest, plus 22 million in the reserve  
10 account, would be put into Fund B.

11 A number of shareholders in our conversations  
12 indicated, and in the survey, that this would be  
13 important to them because in November a number of  
14 shareholders left the pool and those left within the  
15 pool felt like as if they had been left behind.

16 This is some of the money that was generated by  
17 the assets of the people who have left the pool, and it  
18 would be retained for the benefits of the people who  
19 stuck with the pool. So it would be infused into Fund  
20 B.

21 Now, Fund B would then generate its own interest.  
22 It would pay off over time. And with the infusion of  
23 this pool, we would hope that it would beat our  
24 expectations in terms of performance, and we would have  
25 to watch it.

1           To be clear, however, Fund B shares will be  
2 illiquid and not tradeable. These will be securities  
3 that each municipality and school district will hold.  
4 How much cash will come out of it is a good question.  
5 We don't know yet. You have a bit of a tradeoff here.  
6 Fund B could pay out cash as it receives it, but then  
7 you reduce the chances of building back the lost  
8 capital. You pay it out.

9           The more you hold in the fund, the better chance  
10 you have of building back the lost capital, and that's  
11 a bit of a tradeoff and could be determined over time  
12 working with the investment manager.

13           So just to make all of this a little more  
14 concrete, if you flip to slide number 12, these are  
15 just two very simple examples, but I think they'll  
16 illustrate how we hope this mechanism will sort of  
17 thread the needle in terms of the interest of capturing  
18 back our capital but also returning liquidity.

19           In example one, imagine an LGIP shareholder with a  
20 \$10 million balance -- and, again, the vast majority of  
21 shareholders have far less than this. The fund would  
22 be split into two. Remember 86 percent is Fund A, so  
23 you would get \$8.6 million of Fund A shares. You'd get  
24 1.4 million of Fund B shares. Near term immediate day  
25 one liquidity in the fund, it's that formula I

1 described, 15 percent or \$2 million, whichever is  
2 greater. In this case, 15 percent would only be 1.5  
3 million, so 2 million is greater, so you have 2 million  
4 of liquidity.

5 And then the loan is out there. We hope to have  
6 this in place, that we anticipate probably something  
7 like 5 to -- \$5.3 to \$5.9 million could then be  
8 borrowed from this loan facility if you really need to  
9 get that liquidity done.

10 Similarly, you can see an example, I don't need to  
11 take you through it, it's a similar kind of math around  
12 a larger shareholder on the bottom. You see how much  
13 liquidity they have. In this case the 15 percent  
14 operates and they have the 14 percent -- \$14 million.

15 If you turn to page 13, you know, there is no  
16 perfect answer in here, but we believe this is your  
17 best course of action at this point because it does  
18 create greater freedom than the other option that we  
19 didn't take you through today of a pure run-off, in  
20 really managing their own shareholder -- their own  
21 liquidity needs. Shareholders can choose to leave  
22 money in the fund or take out funds that have no --  
23 that are free and clear or take out -- use the credit  
24 facility or make their own choices.

25 In addition, problem assets are identified and

1 really walled off in Fund B. And this is why we can  
2 use Fund A as collateral to borrow, because Fund A will  
3 be clean. And this also optimizes our chances of  
4 creating an ongoing entity. And as Barbara mentioned,  
5 there is a lot of interest in the advisory group of  
6 having an ongoing entity.

7           So the cons are people have to make some choices.  
8 There is no easy way to provide a hundred percent  
9 liquidity, and this, I think, represents that. You may  
10 ask, well, why isn't this fund more liquid on day one?  
11 You told me -- Fund A, that is. Why isn't Fund A more  
12 liquid on day one? You just told me it's a money  
13 market quality asset. Why isn't it like a money market  
14 fund on day one?

15           And the answer is that it is all money market  
16 quality, but it is less liquid due to the recent  
17 sell-off we've been through. It's a money market  
18 quality assets that is simply not yet of the perfect  
19 liquidity mix. And, again, that's why on day one we  
20 want to put a few restrictions in. And the mix will  
21 gradually improve. It can be managed back to the more  
22 perfect sort of liquidity balance that should exist  
23 within a money market fund. Then the liquidity  
24 restrictions come off over time, and it begins to  
25 operate that way.

1           So it's -- there are some liquidity restrictions.  
2           They're not about quality. They're just about the  
3           current mix post a very large sell-off that would be  
4           reality in Fund A. That's it. I'll turn it back to  
5           Barbara.

6           MS. NOVICK: Just to reiterate, I know it was a  
7           small point that Simon made, but it's a very important  
8           one. In the operating option, the 15 percent and  
9           \$2 million we believe takes care of well over 50  
10          percent of the shareholders' immediate liquidity needs,  
11          so a very important point.

12          So if we could wrap up the next page, page 14.  
13          Assuming the board and shareholders endorse what we're  
14          calling the operating option, what's next on this page,  
15          we mention several steps that we think are necessary to  
16          restore investor confidence. One of them, the most  
17          obvious is the communication and the transparency.  
18          Second is to actually approach the rating agencies and  
19          obtain a money market rating for this fund.

20          That's something that we do on a number of our  
21          funds that we manage ourselves. We would also ask the  
22          government to step in and encourage new investments  
23          through the advisory board and other means, because  
24          that would certainly help the liquidity of the overall  
25          fund.

1           And we also recommend considering the use of a  
2 manager, as was in one of the points that Jeannie  
3 raised, somebody who, in terms of characteristics,  
4 probably somebody who manages rated funds and who also  
5 has workout experience, given the very different  
6 requirements of Fund A and Fund B.

7           If we can go to the next page. One of the  
8 immediate action steps, first of all, while this is, I  
9 think, a good proposal, I'm sure we could refine it and  
10 get it a little better. It's been a very busy four  
11 days, and we made some very important changes even  
12 yesterday from the feedback we got. If we were  
13 selected, we'd like to spend some more time with the  
14 Advisory Committee or their representatives and refine  
15 a few things.

16           Obviously this board may want to select a manager,  
17 thinking about short-term versus long-term, and we give  
18 a couple of ideas here. To do a full RFP in this time  
19 frame probably is not practical, and there are other  
20 ways of addressing that, addressing the immediate  
21 liquidity needs with some of the ideas that are in  
22 Option A.

23           You might say this all sounds great on paper but  
24 how on earth could you implement it? We're pleased to  
25 say we had an operational meeting yesterday with the

1 staff at the SBA, and they have been very thoughtful  
2 and planning ahead during this crisis period in  
3 thinking about how to change things operationally, and  
4 we believe in reasonably short period of time that  
5 could be up and running. We would also need to work  
6 with the in-house lawyers on separating the Fund A and  
7 B assets. We are not experts in municipal law.

8 We would recommend strongly creating that  
9 public-private partnership, negotiating the terms of a  
10 credit facility, trying to get them to be as favorable  
11 as possible to the municipalities and shareholders,  
12 initiating the rating process immediately. We estimate  
13 it takes three to four weeks, if you start with a rated  
14 manager, and we think that that would be something that  
15 could be achieved here. And then, of course, lots of  
16 communication.

17 What we've heard loud and clear from everyone is  
18 they want to know what's going on. They want a clearly  
19 articulated plan. They want access to the portfolio  
20 and to information about their shares and their  
21 shareholdings.

22 With that, we will open it to questions. And  
23 Simon and Chris will join me, depending on what  
24 questions you've got.

25 GOVERNOR CRIST: Great. Questions? CFO?

1 CFO SINK: Thank you, Governor. This just came to  
2 mind. We've heard loud and clear, of course, and we  
3 all desire that there not be any loss or realized loss  
4 of principal. Did the investor group -- and we will be  
5 accruing interest on the Fund B to support Fund B. But  
6 was there any conversation or interest on the part of  
7 the current investors to take some portion of the  
8 interest earnings on Fund A and reserve it for  
9 potential losses in principal in Fund B?

10 MS. NOVICK: Let me separate what I'll call the  
11 November earnings from the future earnings.

12 CFO SINK: Right.

13 MS. NOVICK: Quite a few people in the surveys  
14 mentioned that they felt that the November earnings,  
15 which have not yet been distributed, should be retained  
16 and should be put into, we'll call it Fund B for this  
17 purpose, but should be retained to offset losses that  
18 remain in the fund.

19 We agree with that. We think it's sensible. It  
20 apportions somewhat fairly people who left early and  
21 got out at par versus people who are still in the pool.  
22 That's a significant amount of money.

23 In addition, there is a small reserve fund that  
24 has been in the fund for years. We would recommend  
25 taking those two items in aggregate. Let's say it's

1 about \$125 million. And that would help to offset  
2 whatever losses might happen in B.

3 The problem with syphoning off interest income  
4 from Fund A on an ongoing basis is you no longer have a  
5 current pay competitive rate on money fund and it will  
6 not attract new investments. It will essentially turn  
7 itself into the run-off option.

8 CFO SINK: And what -- do you recall what are the  
9 projected earnings from Fund B that will be accruing in  
10 the Fund B over the course of a 12-month period, for  
11 example?

12 MS. NOVICK: We estimate between, let's say, five  
13 and seven million a month.

14 CFO SINK: So potentially 70 million. So we would  
15 have almost \$200 million, in effect, embedded in Fund B  
16 for any possible risk of capital default on some of the  
17 instruments there.

18 MS. NOVICK: Exactly.

19 CFO SINK: Am I thinking about it the right way?

20 MS. NOVICK: Exactly.

21 CFO SINK: Okay. Good.

22 GOVERNOR CRIST: General.

23 ATTORNEY GENERAL McCOLLUM: I have three or four  
24 questions, Governor. First of all, in -- let me say  
25 this. I think BlackRock has done a terrific job and I

1 think you should be commended. This is a great work  
2 product considering all the things I know that the  
3 three of us have been listening to and you've been  
4 working on over the weekend, and I know we couldn't  
5 collectively get together, but our staffs have been  
6 doing that, and we appreciate it.

7 Secondly, the first question I have, though, is on  
8 page four in the discussion, you discuss \$12 billion  
9 that have high quality money market instruments that  
10 we're talking about. These are all -- is there  
11 commercial paper involved in these? This isn't all  
12 Treasuries or something; is it?

13 MR. STAVRAKOS: These are all money market  
14 instruments of a corporate nature. There is no  
15 Treasury, no agency paper in here.

16 ATTORNEY GENERAL McCOLLUM: What do you mean by  
17 money -- I'm just looking at this as a plain English  
18 thing. I think I understand, but if you could explain  
19 it, what are they?

20 MR. STAVRAKOS: There is some commercial paper.  
21 The preponderance of assets in the pool currently and  
22 that would reside in Fund A are longer term, medium  
23 term notes by corporate -- issued by corporations and  
24 banks. So much of this --

25 ATTORNEY GENERAL McCOLLUM: Are there bonds in

1 here, too? Are there corporate bonds?

2 MR. STAVRAKOS: Those would be considered  
3 corporate bonds.

4 ATTORNEY GENERAL McCOLLUM: Are there any stocks?

5 MR. STAVRAKOS: No stocks. All fixed income.

6 ATTORNEY GENERAL McCOLLUM: All fixed income.

7 MR. STAVRAKOS: Yes, sir.

8 ATTORNEY GENERAL McCOLLUM: All right. If they  
9 were for some reason to be downgraded, would that  
10 present a problem by the rating system? If somebody  
11 said -- we can't anticipate that right now. I know you  
12 can't.

13 MR. STAVRAKOS: Right.

14 ATTORNEY GENERAL McCOLLUM: But would it present a  
15 problem?

16 MR. STAVRAKOS: Certainly it depends on the amount  
17 of rating downgrade. It depends on how close to  
18 maturity that rating downgrade would happen. That is a  
19 risk that's evident in any corporate security, in any  
20 money market fund. Today, the ones that we manage, the  
21 ones that competitors of ours manage, everyone is  
22 exposed to that element of risk, which I described  
23 earlier as credit risk, yes.

24 ATTORNEY GENERAL McCOLLUM: Well, the reason I ask  
25 you those questions in that realm is because I did take

1 heart with the Advisory Committee's note that the  
2 statute says that the policies for the investment of  
3 their monies in this pool shall be structured to place  
4 the highest priority on safety of principal and the  
5 liquidity of funds. The optimization of investment  
6 return shall be secondary to the requirements for  
7 safety and liquidity.

8 One could argue that in order to be safe, they all  
9 have to be invested in U.S. government bonds or bills  
10 or notes, paper, because that's the only thing that you  
11 could say is guaranteed.

12 Once you get into the business or commercial area,  
13 once we've invested any of these bonds or notes, even  
14 though they may be money market fund quality, there is  
15 some risk ultimately if there is a downgrade in the  
16 value. It's not likely. It's improbable. But there  
17 is some risk. Is that not true?

18 MR. STAVRAKOS: Yes, General, that is true and  
19 that has always been true. It's our opinion and, I  
20 guess, the market's opinion that that risk has been a  
21 relatively minimal risk for a very long period of time.  
22 We find ourselves in a very unusual situation that is  
23 really unprecedented historically.

24 The markets have never seized up systemically to  
25 the extent that they have in the recent past, in the

1 last three to four months, in any of our collective  
2 history. So this truly is a very, very unique  
3 circumstance. And outside of this particular  
4 circumstance, I would say that the level of safety and  
5 liquidity available to investors, even though they may  
6 be corporate securities and/or bank paper or commercial  
7 paper, is very high safety, very high liquidity,  
8 because of the restrictions on rating, quality, as well  
9 as maturity and duration.

10 ATTORNEY GENERAL McCOLLUM: Well, normal -- and,  
11 again, I just want to establish this with you because  
12 you're the experts in this. Normal business practice,  
13 normal investment practice to get to the type of safe  
14 investment that the statutory language that I just read  
15 you contemplates would involve investment in these  
16 higher grade corporate bonds and securities and so  
17 forth, not just in Treasuries.

18 MR. STAVRAKOS: Yes.

19 ATTORNEY GENERAL McCOLLUM: It would be the normal  
20 course of business to do this; would it not?

21 MR. STAVRAKOS: Yes, sir.

22 ATTORNEY GENERAL McCOLLUM: So we're not talking  
23 about investing in something that's highly risky or  
24 considered risky under the statute if we continue in  
25 this pool to invest in the type of money market quality

1 investments you've described, right?

2 MR. STAVRAKOS: That is our opinion, yes, sir.

3 ATTORNEY GENERAL McCOLLUM: A second area of  
4 question, on page eight, there is a comment in the  
5 fifth one. It says, "For shareholders who need  
6 additional funds and are not able to make use of the  
7 credit facility, they can redeem shares." Are not able  
8 to make use of the credit facility, what do you  
9 contemplate would be the type of situation or the type  
10 of investor that you know is in this pool who would not  
11 be able to make use of a credit facility?

12 MS. NOVICK: General, as we said earlier, we're  
13 not schooled in municipal law in Florida or any law,  
14 actually, of municipalities. And we understand that  
15 some municipalities or some shareholders in this fund  
16 may not be allowed to pledge their shares or may not be  
17 allowed to take out loans. And we don't really know --  
18 have any way of verifying that.

19 So the thought was to have that backstop. I know  
20 there's -- in the policy statement there's a feeling  
21 against redemption fees. Hopefully, in Simon's  
22 comments it's clear, that is the choice of last resort.  
23 Hopefully people can get their liquidity from the  
24 earlier, the 15 percent and the \$2 million, in addition  
25 the loans. The redemption fee option would be if you

1 can't get enough, only then would you go to that.

2 ATTORNEY GENERAL McCOLLUM: I understand that. I  
3 was just -- and you can't really answer my question  
4 because you don't know. But my question would have  
5 gone probably to the advisory group, and maybe we'll  
6 need to, maybe we won't need to get to that. But I was  
7 curious as to how many of these cities, counties, other  
8 entities would not be able to go to a bank and pay  
9 interest.

10 MS. NOVICK: We don't know.

11 ATTORNEY GENERAL McCOLLUM: And you don't know  
12 that. On page nine you have a chart that you showed to  
13 us but you didn't discuss. And it shows the amount of  
14 expected operating option, expected maturities for Fund  
15 A.

16 There is a \$4 billion top on that. They mature at  
17 a hundred percent by December of next year. But I  
18 thought there's \$12 billion that would be in Fund A.  
19 What am I misreading here? Where are the other \$8  
20 billion?

21 MR. MENDELSON: The number on the left is monthly  
22 liquidity.

23 ATTORNEY GENERAL McCOLLUM: Oh, it's monthly  
24 liquidity. That's my misreading. Okay.

25 MR. MENDELSON: The cumulative is on the right, so

1 that 100 percent represents the 12 billion.

2 ATTORNEY GENERAL McCOLLUM: A hundred percent is  
3 represented here in this chart.

4 MR. MENDELSON: Yes. So the bars tie to the left,  
5 and the line ties to the right.

6 ATTORNEY GENERAL McCOLLUM: Okay. I was just  
7 confusing it. I apologize for that. And one last  
8 question, which I think you probably have answered in  
9 answering CFO Sink's question. But in Fund B in this  
10 operating option, would the cash that is being brought  
11 into it that is coming over from November's earnings  
12 and in the whole pool and whatever is being earned by  
13 this, the amount of money set aside in Fund B, would it  
14 be compounded, would it be reinvested, in other words,  
15 in some of these high quality money market fund type  
16 assets?

17 MR. MENDELSON: Yes. That was the plan. It would  
18 be invested in the same money market standard assets.

19 ATTORNEY GENERAL McCOLLUM: Thank you very much.

20 GOVERNOR CRIST: Have you got any more questions?  
21 I've got a couple.

22 CFO SINK: No. Let me just -- yeah, ask yours. I  
23 just wanted to make a -- I'll make a comment in a  
24 minute. Go ahead.

25 GOVERNOR CRIST: Go ahead. You first.

1 CFO SINK: Well, I was just going to comment along  
2 the lines of the banking institutions of the state.  
3 Many financial institutions around the state did step  
4 up last week when we had to suspend withdrawals. And  
5 it's a sign of great confidence in the relationships  
6 they have with the local governments.

7 And, Governor and General, I do want to commend  
8 the financial institutions of the state for helping  
9 many, many cities get over these critical -- some  
10 payroll and bonding funding issues that they had. It  
11 was very good.

12 GOVERNOR CRIST: You come from a good business,  
13 CFO. First I want to compliment BlackRock on your  
14 extraordinary work in a very short period of time. I  
15 think you've come up with some very good suggestions  
16 that will help us stabilize things, and we appreciate  
17 that very much.

18 I really don't have any questions of you, but I  
19 would like to ask some questions of Jeannie and  
20 Maureen, if you're still here, please. Maureen from  
21 Oakland on Highway 50 in Clermont.

22 CFO SINK: I've been there, done that.

23 GOVERNOR CRIST: I have, too. If it's in Florida,  
24 we've probably all been there. I'm impressed by what  
25 I've heard. But, frankly, it's kind of in your hands.

1 And so I would like to know what you think about what  
2 BlackRock has presented to us and see what your  
3 opinions are. And I don't mean to put you on the spot,  
4 but I'm putting you on the spot, because it really  
5 affects you the most.

6 MS. RISCHITELLI: That's why they sent me, because  
7 I will give you my opinion.

8 GOVERNOR CRIST: I'm sure you will. Where up  
9 north are you from?

10 MS. RISCHITELLI: You may not like it, but that's  
11 why they hired me.

12 GOVERNOR CRIST: May I ask, Maureen?

13 MS. RISCHITELLI: Pardon me?

14 GOVERNOR CRIST: Where are you from?

15 MS. RISCHITELLI: Massachusetts.

16 GOVERNOR CRIST: Massachusetts, very good.

17 MS. RISCHITELLI: I am a New England Patriot.  
18 That's why they sent me, too.

19 GOVERNOR CRIST: Is that why? Well, you guys are  
20 pretty good at winning.

21 MS. RISCHITELLI: In the true sense of the word,  
22 not so much football.

23 GOVERNOR CRIST: Good, good, good.

24 MS. RISCHITELLI: The key is the town --

25 GOVERNOR CRIST: And I don't know if you've had

1 time to really review it. I don't want to be unfair.

2 MS. RISCHITELLI: I've worked all weekend, too,  
3 so --

4 GOVERNOR CRIST: Okay.

5 MS. RISCHITELLI: When we listened to the  
6 broadcast, the key was we had no intention -- we left  
7 one fund in there. It's not big, \$6,000, but the town  
8 is committed to the SBA process because of the  
9 liquidity as well as the safety of it from that  
10 perspective.

11 The pulling of the funds that we were requesting  
12 was in anticipation of what was needed based on, again,  
13 not receiving a lot of information. I appreciate the  
14 staff that's been working, but they called me at 5:30  
15 last night and 7 o'clock this morning, which if you're  
16 going down the list of percentages, that's probably  
17 where we flesh out.

18 But, you know, the criteria is then the town looks  
19 for equity in the entire process, total understanding  
20 of when you were talking about the pension fund and  
21 what you can back and what you can't back.

22 The criteria that I would look at again is the  
23 fact of you have to be careful when you start advising  
24 how local governments are going to utilize their funds  
25 because they, hopefully, with advice of managers, are

1           only using what we need to use when we need to use it.

2           Our goal is to keep the funds in there because  
3           that's where we get interest. But now we have to go  
4           back and look at what our commitments are, and in  
5           putting those in priority, that's the criteria. So we  
6           were only tapping initially what we needed for our  
7           funds.

8           And then the compounding piece is the charter  
9           school, because what will happen now is that the bank  
10          will have to divest that money because of the  
11          experience.

12          You know, the town doesn't have the funds to come  
13          up with another 700,000 to create a reserve account for  
14          that charter school, which is required by the bond. If  
15          there was a way to get out of something, I can tell you  
16          that I would have researched it and go -- I always try  
17          to go the path of least resistance.

18          But with regard to that, now the bank will have to  
19          look at divesting that million dollars that we have  
20          there in order to protect the reserve which is required  
21          by the bond document.

22          So in asking what I would take out, I don't have  
23          an option there, because of the way the documents are  
24          structured. Unless the banks all go back and  
25          restructure those bond documents and release us of

1 certain obligations, there's nothing we could do.

2 I was waiting for the other shoe to come, as the  
3 markets tumble, that the bank would ask me for another  
4 700,000 to have two years' worth of reserve as opposed  
5 to one.

6 So the key is we looked to see within our  
7 commitments, and that's why I go back to that domino  
8 effect. Every time I try to take one step forward, I  
9 end up two back because of the way the structure is.  
10 So you don't want to panic, but you've got to make sure  
11 those other partners in the game, such as banks and  
12 other lending institutions, can and are willing to do  
13 that as well. And then when you start looking at their  
14 business, they go through the same thing that you're  
15 facing now, too.

16 GOVERNOR CRIST: Well, not to put a fine point on  
17 it, but I will. If you were in our chair, would you  
18 vote for this operating option or not?

19 MS. RISCHITELLI: I think the operating option is  
20 fine. The only concern, as I said before, was the  
21 penalty with regards to the withdrawal. You know, the  
22 key is you're going to have to further define the  
23 parameters of the withdrawal, because I can tell you,  
24 when I go back to the commission meeting tonight, if I  
25 make it back, unless your troopers stop me on the way,

1           that --

2           CFO SINK: Don't speed.

3           MS. RISCHITELLI: They have to protect the little  
4 money that we have and have to explain it to 2,000  
5 people, 550 children. And as you know, trying to  
6 explain it to 1,000 parents is a whole nother thing.

7           So, you know, it's to keep a calm -- I can do that  
8 pretty much because I talk fast. But the other is  
9 those are where it comes down to for us. It comes down  
10 to books. It comes down to pencils. It comes down to  
11 salaries.

12           So if it's fully defined and people understand the  
13 ground rules and the game plan, then they can then sell  
14 it to their constituencies, just like you're going to  
15 have to.

16           GOVERNOR CRIST: This is democracy in action,  
17 Maureen.

18           MS. RISCHITELLI: That's right.

19           GOVERNOR CRIST: And so you're not off the hook.  
20 I need an answer, if you're willing to give one.

21           MS. RISCHITELLI: So long as you can clearly  
22 define what those parameters are, because right now  
23 you're not telling me whether or not I can withdraw up  
24 to what percentage. You know, what are you --

25           MS. NOVICK: The greater of 15 percent or

1           \$2 million would be what you could --

2           GOVERNOR CRIST: Up to 2 million. Do you want to  
3 speak in the microphone so that it's all appropriately  
4 on the record?

5           MR. MENDELSON: Whatever the balance is, 14  
6 percent would be in Fund B, that would not be liquid,  
7 but of the remaining balance, you would be able to  
8 withdraw up to \$2 million free and clear.

9           GOVERNOR CRIST: Without a fee.

10          MR. MENDELSON: Without any fee, just straight  
11 out. That would be on day one. And then, of course,  
12 that 15 percent and \$2 million we expect to improve  
13 over time, as we said. And then when the thing finally  
14 stands up as a regular functioning money market fund,  
15 those restrictions would entirely go away.

16          MS. RISCHITELLI: The 15 percent doesn't cover the  
17 debt. That's my problem.

18          CFO SINK: Excuse me, Governor.

19          GOVERNOR CRIST: CFO.

20          CFO SINK: I think it would be helpful if you  
21 would share with us the dollar amount that you have.

22          MS. RISCHITELLI: I have a million dollars in the  
23 school fund and 550,000 in the town fund.

24          MS. NOVICK: You would need the \$2 million --

25          GOVERNOR CRIST: Then you're covered by the

1           2 million.

2           MS. RISCHITELLI: But that's not what you said.  
3           You said Part B goes into one.

4           CFO SINK: Let's go back. How much total do you  
5           have?

6           GOVERNOR CRIST: This is important.

7           CFO SINK: It is, and it's instructional.

8           MR. MENDELSON: Just to take the million dollar  
9           one -- and these would apply at the account level. So  
10          for each of those accounts, 14 percent would be in Fund  
11          B. That's not liquid. So let's say it's a million  
12          dollar account, \$140,000 would be in Fund B. The  
13          860,000 that remains, that would be entirely available  
14          to withdraw on day one, because it is less than  
15          \$2 million, which is the minimum liquidity everyone  
16          would have in every account.

17          MS. RISCHITELLI: That would pay the bond, but  
18          then it would put the bond in jeopardy as it relates to  
19          the reserve fund.

20          GOVERNOR CRIST: So you want us to do this or not?

21          MS. RISCHITELLI: I'd say no as it relates to the  
22          Town of Oakland.

23          GOVERNOR CRIST: What's that?

24          MS. RISCHITELLI: It would be no as it relates to  
25          the Town of Oakland because with regards to that

1 charter school bond, the \$1 million is solvent. The  
2 town would make a determination on the 550, what could  
3 they hold off. State Road 50 is not going to come  
4 tomorrow, so I can give you a yes on the town fund.

5 But as it relates to that charter school bond, the  
6 answer would be no because that remains as an entity as  
7 it relates to the bond document. And that's the yes  
8 and nos that you get.

9 GOVERNOR CRIST: Yes and no, sort of how we work  
10 around here a lot. Jeannie, your opinion, please.

11 MS. GARNER: I think it's definitely fair to say  
12 that the Advisory Committee would love a little bit of  
13 time to chew this up and spit it out a little bit. But  
14 knowing that we don't have that, I'll try to give a  
15 couple of comments. A question, first of all. Is the  
16 withdrawal -- the minimum draw, is that a monthly or a  
17 one-time withdrawal opportunity?

18 MS. NOVICK: The thought is that day one -- the  
19 thought is that day one we're very comfortable, we have  
20 enough liquidity to do the greater of 2 million or 15  
21 percent. Over time we're going to update those  
22 numbers, but it would be starting with the initial  
23 numbers. So it's not going to be 15 percent a month.  
24 It would be 15 percent. It would grow to maybe 20  
25 percent, 25 percent, but that would be cumulative from

1 the beginning.

2 MS. GARNER: I think one of the problems with the  
3 proposal is the fact, just like she is saying, it's a  
4 blanket solution, and there's still going to be  
5 exceptions. We think it's small exceptions, where  
6 people like her will need her money immediately and the  
7 amount is small.

8 So to be able to do that, it's almost -- we think  
9 that there would be enough liquidity. Is this going to  
10 actually take -- have you taken into consideration the  
11 people that won't withdraw their money, that may say,  
12 "We want to leave it in," or any additional deposits  
13 coming in as time goes?

14 MS. NOVICK: If we can get written commitments  
15 from some of the larger investors that they can stay in  
16 for six months, nine months, for a specific time, that  
17 will enable us to increase those percentages and dollar  
18 amounts. But in the absence of that, we really can't  
19 put the fund at risk.

20 MS. GARNER: But it's very possible that those  
21 written commitments would be enough to take care of the  
22 smaller solutions, small exceptions. If we are willing  
23 to actually accept withdrawal provisions, which we are,  
24 we understand this problem, we understand that we will  
25 keep some of our money in and only allow those

1 exceptions, then we are hoping that those small  
2 exceptions can be worked around and the people that  
3 actually -- the people I'm looking at, it's the smaller  
4 exceptions that's got everybody worried.

5 GOVERNOR CRIST: Well, that's a real question, is  
6 does it instill confidence in you and your membership,  
7 in order to stay or continue to contribute to this  
8 fund. That's really what it comes down to, at least  
9 for me. I can only speak for me.

10 MS. GARNER: I think you could get some  
11 commitments from some of the larger school boards and  
12 their --

13 GOVERNOR CRIST: I mean, I want to be really  
14 transparent.

15 MS. GARNER: I'll have Mr. Montford come up here  
16 and address that. While he's coming up, another  
17 question is, for the tax collectors, I think you need  
18 to make sure you understand that some of the internal  
19 transfers that they've been talking about, a lot of  
20 those distributions actually will go outside the fund  
21 because those monies have left. So think about -- I  
22 don't know if y'all contemplated that as well.

23 GOVERNOR CRIST: Bill?

24 MR. MONTFORD: Thank you, Governor, members of the  
25 Cabinet. I represent the school superintendents of

1 Florida, and in the absence of Wayne Blanton, he's in a  
2 meeting somewhere else, I think I can represent the  
3 school boards as well.

4 GOVERNOR CRIST: Can you speak a little more into  
5 the microphone, Bill, please? Thank you.

6 CFO SINK: And give your name, please.

7 MR. MONTFORD: I'm sorry. Bill Montford, CEO of  
8 Florida Association of District School Superintendents.  
9 Our concern is, first of all, is losing any of the fund  
10 that we invested, and we know that. And we know that  
11 you appreciate that. Our concern, too, though, quite  
12 frankly, is if we -- we are working so very closely  
13 together.

14 Is it possible for one government, one school  
15 system to say, we don't need this money and we will  
16 pledge our money to the school district that does need  
17 it? This was discussed yesterday. Can we do that?  
18 And so the district that is over the maximum, can they  
19 borrow from another school district?

20 MR. MENDELSON: I think, as Barbara indicated, if  
21 there were some of the shareholders who were willing to  
22 put down in writing or really guarantee that they would  
23 not take their funds out, that 15 percent or \$2 million  
24 number, which is a conservative way to start, could  
25 be -- we could make changes to that right away. You

1           could start to create more and more liquidity in the  
2           fund right away if you know people were going to stay  
3           or, frankly, you knew people were going to come into  
4           the fund. That would change the picture if we knew  
5           that.

6           MR. MONTFORD: And, Governor and members of the  
7           Cabinet, quite frankly, we're between a rock and a hard  
8           place. We know that you've got to make a decision  
9           today and we need money yesterday. And so we answer  
10          your -- the question, Governor, was, I think, "Would  
11          you vote for it," or it could have been, "What would  
12          you do if we were sitting there?" That's another whole  
13          question.

14          If you were to ask me if you would vote for it, I  
15          would take a deep breath and say yes, under a few  
16          conditions. One is that if the State would work with  
17          us in every way possible to make sure that this is as  
18          flexible as possible so that we can be as creative as  
19          possible, so that we can continue the spirit of  
20          cooperation, even with those school districts that have  
21          no fund in there now.

22          We have school districts that are willing to  
23          participate and get back in to help their colleagues.  
24          That's how the -- there's a strong, strong commitment  
25          among the colleagues. There's also a very strong

1           commitment to ensuring the continuity of the SBA. It's  
2           been very, very good for school districts in Florida.

3           So there is a commitment there to help each other  
4           out. So if we can get a commitment from the State to  
5           say we will be as flexible as possible, we'll be  
6           creative as possible, and the number one priority is to  
7           take care of those immediate needs and be able to work  
8           cooperatively together and let's be flexible so that we  
9           can help each other.

10          And, again, one of the primary objectives here --  
11          and I don't think we've spoken enough about it today --  
12          is the critical need of restoring confidence in the  
13          process. If we can restore that confidence in the  
14          process and we have believers in the SBA, then our  
15          problem will go away.

16          ATTORNEY GENERAL McCOLLUM: I have a question or a  
17          comment. In one aspect what you're asking, Bill, with  
18          regard to one school board or one school district being  
19          able to transfer money or be able to use the other's  
20          money or whatever, I think in a way that may be  
21          contemplated on page eight in this operating overview.

22          And I do want to ask BlackRock about it. In  
23          paragraph 5-B it says, transfers between shareholders  
24          will not be treated as redemptions. So if you transfer  
25          between each other, it seems to me if, for example,

1 school board X or school district X had no need for the  
2 money but they could draw down \$2 million or let's just  
3 say 2 million, it could be 15 percent, and school  
4 district Y needed all of its 2 million plus another  
5 whatever, there certainly could be something worked out  
6 between the school districts, it seems to me.

7 And that would at least seem to me to fit within  
8 the parameters of BlackRock's contemplation here.  
9 That's a little complicated, but it would require sort  
10 of contractual agreements between those school  
11 districts. Am I not right? Can BlackRock, somebody  
12 clarify that?

13 MS. NOVICK: It's a little like selling air rights  
14 or pollution rights, because what you're talking about  
15 is not transferring money from one participant to  
16 another, which is what we have on page eight. We're  
17 talking about transferring liquidity from one  
18 participant to another.

19 We would find that extremely difficult to  
20 implement, and I can't imagine the operational aspects  
21 of that, tracking which participants said they would  
22 give liquidity to another one.

23 So I think it comes back to if we have enough of  
24 the larger investors in the pool. Keep in mind the 15  
25 percent, \$2 million takes care of -- we estimate 70

1 percent of the participants could take their whole 86  
2 percent balance out, not Fund B, but 86 percent of the  
3 money they could take day one.

4 So you're talking about the remaining 30 percent,  
5 many of which have larger balances. If some of those  
6 can say, I'm in and I'm in for an extended period of  
7 time, in Fund A, that will immediately raise the 15  
8 percent, the 2 million number substantially, but for  
9 everyone, not one school district to another.

10 ATTORNEY GENERAL McCOLLUM: I understand what  
11 you're saying. But let's just say, let's assume you're  
12 not managing this at the end of the day and let's just  
13 assume that on their own, one school district decides  
14 that they're going to withdraw, they don't really need  
15 it, but they're going to withdraw it because they have  
16 a right to, they could make a contractual relationship  
17 and give the money over or loan the money over to the  
18 other district, and that wouldn't be part of your deal.  
19 That wouldn't be part of our management --

20 MS. NOVICK: This is America. They can lend money  
21 to each other, yes.

22 MR. MONTFORD: Let me -- we've been talking a lot  
23 about the smaller districts and small counties, and  
24 that's critically important, we feel. And that's one  
25 of the strengths of the SBA program to start with, is

1 that the smaller entities can collectively work with  
2 SBA and make a lot of money, but -- or not make a lot  
3 of money, excuse me -- and maximize their investments.

4 We also need to remember that we have, for  
5 example, Hillsborough School District has over  
6 500 million. And so if they begin to assess a penalty,  
7 that's a lot of money, and I know it's in proportion.  
8 But the other thing, Governor, and let me conclude with  
9 this, is that many of us in this room are not financial  
10 geniuses, and that can help in a situation like this,  
11 because we can think of things that may -- that there  
12 are a lot of reasons for it not to work. But if we're  
13 creative -- I mean, I believe if we can get banks to  
14 step up and be able to pledge and school districts be  
15 able to pledge their shares to a bank, it seems like to  
16 me we should be able to pledge the shares to another  
17 school district and let them help them out.

18 Now, probably there are a lot of reasons and rules  
19 you can't, but now is the time for us to start bending  
20 those rules a little. Thank you.

21 CFO SINK: Governor.

22 GOVERNOR CRIST: CFO.

23 CFO SINK: Let me ask BlackRock kind of an  
24 operational question. When would you see the window  
25 opening for withdrawals?

1           MR. MENDELSON: We met on a series of operational  
2 issues with the folks at the SBA, and we were actually  
3 quite encouraged. It was an extremely productive  
4 conversation. They've actually started, as I think  
5 Chris alluded to, started to anticipate some of these  
6 issues. And so we could move quite quickly.

7           I think we could, towards the end of this week or  
8 preferably early next week, that would be doable.

9           CFO SINK: What about tomorrow?

10          MR. MENDELSON: Well, there is some work to do.  
11 I'm hedging because I'm fearful of committing that we  
12 could literally get the thing open tomorrow. There is  
13 work to be done to split the funds into two. There is  
14 work to be done to get the Web site correct to  
15 implement these rules, because the day you open the  
16 door, you have to make sure the rules are functioning  
17 appropriately, we have the balances correct, the  
18 restrictions correct.

19          But I think certainly by the end of the week,  
20 perhaps sooner, clearly the implication of your  
21 question is you'd like it to be sooner rather than  
22 later, and we can go spend some more time --

23          CFO SINK: Well, we've frozen access to their  
24 funds, I guess we met last Thursday. And these -- a  
25 lot of entities had to scramble around, borrow money,

1 in the anticipation, knowing that we would be taking  
2 action today. And I think there is a heightened sense  
3 of urgency.

4 MR. MENDELSON: There are two related issues. One  
5 is the setting up of the Web access and making sure  
6 that the service works. The second is, should, again,  
7 you choose to appoint an outside advisor on the fund,  
8 there's a connectivity that has to be established to  
9 let that advisor literally make the trades and manage  
10 the assets.

11 And so those two things need to happen. It could  
12 start immediately, should you make that decision  
13 immediately, and it could happen quite quickly. I  
14 just -- I'm worried about saying tomorrow morning 9:00  
15 a.m.

16 CFO SINK: Governor, I am prepared to make a  
17 series of motions whenever appropriate, one of which is  
18 going to be that we are in an emergency time-critical  
19 situation. I think it's really important that we get  
20 independent management, independent professional  
21 management that has credibility.

22 And I'm prepared, one of my motions -- and we need  
23 to work on this together, obviously -- to name  
24 BlackRock as an interim fund manager so we can begin  
25 this work immediately and again pursue an RFP to invite

1 other financial entities to bid on or to issue an RFP  
2 to open it up.

3 But I think we need to get started immediately.  
4 So if this motion passes, then can you tell me when you  
5 think you might be able to open the window up?

6 GOVERNOR CRIST: Chris.

7 MR. STAVRAKOS: I think it's -- you know, there  
8 will be folks working around the clock to do this. I  
9 think it's inadvisable to attempt this tomorrow. But I  
10 think Thursday is very much in the realm of  
11 possibility.

12 CFO SINK: Okay. Thank you.

13 GOVERNOR CRIST: When? When did you say?

14 MR. STAVRAKOS: Thursday morning.

15 GOVERNOR CRIST: Thank you.

16 ATTORNEY GENERAL McCOLLUM: If that's a motion to  
17 do that, I would second it.

18 GOVERNOR CRIST: I think the motion might have  
19 more to it.

20 CFO SINK: Yes. Let me just -- let me tell you,  
21 I've given this some thought, what I think we have to  
22 take action on, and then we can -- you decide,  
23 Governor, whether you want to break it up. Number one  
24 would be that we --

25 GOVERNOR CRIST: I like consolidation.

1 CFO SINK: Okay, good. Number one would be that  
2 we pursue the operating option as described in the  
3 BlackRock presentation, which is the creation of Fund A  
4 and B.

5 Number two is that we would direct BlackRock to  
6 serve as the interim fund manager so that we can begin  
7 work immediately and have the withdrawal window open as  
8 soon as possible.

9 Three would be that we direct the SBA to prepare  
10 and issue an RFP or whatever -- the SBA has different  
11 processes that they use in contracting -- to hire a  
12 permanent fund manager as soon as possible.

13 GOVERNOR CRIST: Did you state -- I'm sorry to  
14 interrupt. Did you state how long the interim manager  
15 would serve?

16 CFO SINK: No, I didn't because I don't -- I don't  
17 know what's feasible in terms of an RFP. You might --

18 GOVERNOR CRIST: I don't know. Ninety days?  
19 Sixty days? I don't know.

20 ATTORNEY GENERAL McCOLLUM: We'll put an outside  
21 limit, 90 days --

22 CFO SINK: Ninety days.

23 ATTORNEY GENERAL McCOLLUM: -- ought to be able to  
24 do it by that time.

25 GOVERNOR CRIST: So that's in your motion?

1 CFO SINK: That's in my motion. And the fourth  
2 would be to direct BlackRock and the investors to  
3 pursue a relationship with a -- with financial  
4 institutions to allow, to put together a borrowing  
5 program against the collateral in the new fund.

6 ATTORNEY GENERAL McCOLLUM: On my list you had  
7 allowing the fund withdrawals to meet payroll and other  
8 important payments subject to current liquidity. Is  
9 that part of your motion?

10 CFO SINK: No, I'm not including that because I  
11 believe that -- I believe their plan incorporates the  
12 most immediate needs.

13 ATTORNEY GENERAL McCOLLUM: I would second your  
14 motion.

15 GOVERNOR CRIST: Discussion?

16 ATTORNEY GENERAL McCOLLUM: I'd just like to  
17 comment that I know that nobody likes the redemption  
18 feature of this, and I've heard any number of you  
19 individually as well as this morning tell me that who  
20 are the investors. But it seems to me BlackRock has  
21 explained why we need that, and I think we need to all  
22 up here acknowledge the reality of this.

23 The reality is that there is going to be, because  
24 of the liquidity issue, if there are withdrawals within  
25 a certain time frame, there will be losses sustained

1 just by the nature of the forced liquidation. And I  
2 think that BlackRock has explained, in fairness, the  
3 persons or the entities that should bear that  
4 particular loss, for the proportion of it that's at the  
5 current time redeemed or withdrawn at that earlier  
6 stage, need to be the participants that have to make  
7 that withdrawal.

8 If you don't make the withdrawal, you're going to  
9 pay -- go borrow money. You're going to pay a little  
10 penalty because you're going to pay interest on the  
11 loan that you're going to make, assuming you can make  
12 it. So there is some pain involved in this.

13 And I know that's hard for school boards and hard  
14 for city commissioners and hard for county  
15 commissioners particularly to go back to their  
16 constituencies and explain. But I think for all of us,  
17 this is a shared and important way to achieve the goal  
18 that everyone on the Advisory Committee and everyone  
19 else here today has expressed, and that is to put  
20 solvency back into this pool to allow it to have a  
21 chance to continue to exist, since I think everybody  
22 has concluded, in talking to us, that you want to see  
23 that rather than the liquidation of the pool and end  
24 this option and go some other route.

25 So I don't see any other option that makes any

1 sense to me than what BlackRock has presented. And as  
2 I said to you earlier when you were up here testifying,  
3 I think BlackRock has done a great job and I'm  
4 anticipating that we pass this in a few moments and  
5 that you will do an equally good job over the next 90  
6 days, or however long it is before a permanent  
7 management team is there, to do the same kind of  
8 quality work in working this out as you've done and  
9 preparing this for us today.

10 But I want to thank you and I want to thank all of  
11 the advisory members that participated. You spent a  
12 lot of time on this up here this weekend, I know; and  
13 not just our staff, but all of you individually and  
14 many others who aren't in this room.

15 So I urge the passage of the motion, but I wanted  
16 to put my two cents in about that point.

17 GOVERNOR CRIST: Sure, great. Thank you, General.  
18 Did you want to say anything else before we vote?

19 CFO SINK: Just that I think that -- I think some  
20 really good work has been done here today. I'm  
21 encouraged about the operation of Fund A. I hope  
22 that -- I believe that this restores confidence and  
23 what we've done is going to restore confidence and  
24 encourage -- at a time when the tax collections are  
25 coming in, I hope many local governments will re-enter

1 the fund and realize that it is going to be managed by  
2 an institution that's managing \$200 billion in cash  
3 assets and has an impeccable reputation.

4 And I hope soon you will be working on getting the  
5 fund rated so that we can start doing business as  
6 normal and work very closely with the investor group.

7 There has been a lack of communication and  
8 transparency that has been unacceptable. And I know  
9 that BlackRock has heard the message loud and clear and  
10 has already begun some meaningful conversations with  
11 the investor interests.

12 And I would like to add -- this is not part of the  
13 motion necessarily, Governor. But I think that in this  
14 time, that we should expect to have a report back to  
15 our board -- I'd like to have a report back to us as  
16 the board members every time we meet, in terms of the  
17 reporting on the level of activity in the fund and  
18 perhaps also have a report, include a report from the  
19 investors' group as to whether or not they believe that  
20 the relationship is good and that their needs are  
21 getting met, because there may be some exceptions that  
22 we'll have to consider as we go forward.

23 GOVERNOR CRIST: Thank you. General?

24 ATTORNEY GENERAL McCOLLUM: I'm ready to vote.

25 GOVERNOR CRIST: Yeah. I'm almost ready to vote.

1 I wanted to just offer some comment a well. First I  
2 want to thank you, CFO, for your leadership on this  
3 issue. I appreciate it very much. And, General, thank  
4 you for your indulgence and your legalese as it relates  
5 to these issues that are very interesting and very  
6 important to all of us.

7 I want to thank the staff, too. Jim and George  
8 and Joe worked very, very hard, our respective chiefs  
9 of staff. And I want to thank them for their input.

10 And BlackRock, I want to thank you. You know,  
11 coming into the fore on short notice and doing very  
12 good work in a very transparent way, that is very  
13 important to all of us. It is deeply appreciated. I  
14 think that what you have presented is prudent. It is  
15 logical. It restores confidence. And it's done in a  
16 calm, smart way. And that's very important to the  
17 people of Florida, and it's very important to us.

18 And so with that, I'll call for a vote. It's been  
19 moved and seconded. All in favor please say aye.

20 ATTORNEY GENERAL McCOLLUM: Aye.

21 CFO SINK: Aye.

22 GOVERNOR CRIST: Aye. So it passes unanimously.  
23 And, Coleman, do you have any final comments for us?

24 MR. STIPANOVICH: Yes, sir. First of all, I want  
25 to thank Barbara and Jeannie and your committee for the

1 fine work that you all have done in advancing this. I  
2 also want to thank the SBA staff, who has been working  
3 relentlessly and around the clock as well in doing this  
4 good work.

5 You know, Governor, driving in this morning,  
6 you're often quoted, but one quote that's particularly  
7 close to my heart is, "Do the right thing." And doing  
8 the right thing and doing my best in my personal and  
9 professional life has been the cornerstone of my very  
10 existence.

11 It is because of these two important principles of  
12 life I've arrived at an important decision. It is an  
13 important decision because it is in the best interest  
14 of a great organization of wonderful people, the SBA,  
15 and you the trustees.

16 The decision is to step down as executive director  
17 of the State Board of Administration. There is nothing  
18 more important to me, except my family and friends,  
19 than to restore confidence in the -- from the people in  
20 the State Board of Administration. So today I'm doing  
21 that by doing the right thing.

22 Governor, I hope my actions today help the SBA  
23 move forward. Thank you for allowing me to serve for  
24 seven years.

25 GOVERNOR CRIST: Thank you, Coleman. Do you have

1 a time within which you would want to depart?

2 MR. STIPANOVICH: I will discuss that with your  
3 office.

4 GOVERNOR CRIST: Okay. Very good.

5 ATTORNEY GENERAL McCOLLUM: If I could make a  
6 comment.

7 GOVERNOR CRIST: General.

8 ATTORNEY GENERAL McCOLLUM: First of all, Coleman,  
9 I personally understand your -- you talked to us  
10 privately, I assume each of us individually about this.  
11 But I think people should be aware that, for example,  
12 today -- I don't know if it's formally released, but I  
13 believe -- you haven't brought it before us as an item,  
14 but you've got the investment returns out for the year  
15 that ended June 30th on the pension funds, on the main  
16 things that you manage.

17 And I think that in light of what you are doing  
18 and the criticism that maybe some have leveled your way  
19 for this pool, people should be aware that, to your  
20 credit and the credit of all the people in the  
21 organization of SBA, the funds, the primary funds that  
22 you've managed have had an extraordinary result, best  
23 in the nation probably, of any funds over quite a  
24 period of time.

25 What I see before me and I think I'm right in

1 reading, it's right off the pages that SBA has  
2 produced, that over ten years, you've had an 8.46  
3 percent return, net return on investment; over five  
4 years, 11.52 percent; over three years, 12.88 percent;  
5 and over the last 12 months, 18.7 percent.

6 And I cannot imagine any pension fund, any state  
7 fund in the nation that could say the same high quality  
8 things about their fund and their management that we  
9 could say about you.

10 So while we know that this has been a difficult  
11 time for you, I just think that all of us owe you a  
12 debt of gratitude, and your team, for what you have  
13 produced that's extraordinarily positive and that you  
14 not take away from this -- it is your decision, I know,  
15 and you feel you need to do this -- the leaving and the  
16 departure and the difficulties of this investment pool  
17 to overshadow the good work and the great work,  
18 actually, that you have done for us, and you are to be  
19 commended for that.

20 GOVERNOR CRIST: Let me echo those comments as  
21 well, Coleman. You know, having produced that well for  
22 the people of Florida and their pension fund is the  
23 primary mission. And so, on behalf of over a million  
24 people who are in the fund and the over 18 million  
25 people who live in the state, I appreciate your public

1 service to Florida.

2 MR. STIPANOVICH: Thank you, Governor.

3 CFO SINK: And I'd like to add my thanks also.

4 It's been nice for all of us to run around the country  
5 and say we have the number one pension fund in the  
6 country. Not very many funds are overfunded at all.  
7 And it's, as I said last week, that pension fund is the  
8 star in our crown, and I appreciate your leadership.

9 MR. STIPANOVICH: Thank you, CFO. Governor,  
10 members, on behalf of the staff at the State Board of  
11 Administration, I know they're very appreciative of  
12 your comments.

13 And, General, you're right on point. That  
14 organization of people out there that you have and that  
15 we're blessed to have working for us and have been  
16 working for us for years have done a phenomenal job.

17 This year is exceptional in that it's rare in this  
18 business that you exceed your benchmarks across all  
19 time periods. And this year we beat our one-year  
20 benchmark, our three-year benchmark, our five-year  
21 benchmark, our ten-year benchmark, and since-inception  
22 benchmark.

23 We rank this year in the top quartile among our  
24 peers, meaning that over 75 percent of the people  
25 performed worse than we did. And we have the number

1 one surplus in the nation. And it's the people at the  
2 State Board of Administration that deserve all the  
3 credit, not me. Thank you very much.

4 GOVERNOR CRIST: With that -- unless you have  
5 something, General.

6 ATTORNEY GENERAL McCOLLUM: Well, only one  
7 comment. We do have a workshop. If we could, I don't  
8 know what the pleasure is --

9 GOVERNOR CRIST: I know what the pleasure is.

10 ATTORNEY GENERAL McCOLLUM: What's the pleasure?

11 GOVERNOR CRIST: Well, go ahead.

12 ATTORNEY GENERAL McCOLLUM: Well, I was going to  
13 suggest -- we've got people here -- that we reconvene  
14 at 10 after and do it, but perhaps you want to have  
15 lunch. Maybe you want to move it off to another time.  
16 Governor, we certainly will accommodate. I just know  
17 there are a lot of people here expecting to put it on.  
18 But we'll do whatever the pleasure of my colleagues is.

19 GOVERNOR CRIST: Well, maybe I'd just suggest a  
20 half hour recess to 12:30.

21 ATTORNEY GENERAL McCOLLUM: 12:30 would be fine.  
22 That would be fine with me.

23 GOVERNOR CRIST: Okay. We'll do that. Thank you.  
24 Thank you, General.

25 (Whereupon, the meeting was concluded at 11:55 a.m.)